

The Treasury Note



A monthly newsletter
of municipal finance

August 1, 1996

State Adopts New Budget

On July 15, the Governor signed the 1996-97 fiscal year budget. The new budget includes \$47.6 billion of revenues and \$47.3 billion of expenditures for the General Fund (GF). The State is expected to finish 1996-97 with a GF fund balance of \$611 million. Of that amount, \$305 million is designated as a "rainy-day reserve".

This is a much improved budget for the State. For the first time since 1991-92, GF did not have any fiscal year crossover external borrowing on July 1. The State GF normally borrows \$2-3 billion externally to cover the cash imbalance during a fiscal year. In 1996-97, GF returns to its normal cash flow borrowing. In addition, the State's overall cash position has improved so much that GF is less dependent on external borrowing.

With the State's economy outperforming the national average and with signs of sustained growth, the State is beginning to build up higher fund balances and reserves.

GO Bond Measures for November Ballot

The voters of California will be asked to cast their votes on three General Obligation (GO) Bond measures in November. The three measures are: Proposition 204, \$995 million for water programs; Proposition 205, \$700 million for county juvenile and adult jails; and Proposition 206, \$400 million for the veterans farm and home program.

Currently, the State has approximately \$7.4 billion of unissued GO bond authorization for various programs. The unissued amount includes the two propositions (\$3 billion for schools and \$2 billion for seismic retrofit) passed in March by the voters.

Financial Advisor Pools

The State Treasurer issued a request for qualifications, a competitive selection process, to form a pool of financial advisors to provide services on state-issued general obligation and revenue bonds, notes, or commercial paper, with a second pool for bonds issued by various financing authorities.

In July, the Treasurer announced the formation of two financial advisory pools. There are 22 firms qualified for the pools. Eighteen of them serve in both pools. The remaining four firms are split, with two serving in the State Pool and two in the financing authority's pool. For a listing of the pools, call the Treasurer's Office at the telephone number below or refer to the press release on the Treasurer's home page.

Treasurer's New Appointments

The State Treasurer has appointed the following teams to assist him in the upcoming bond sales (see sales calendar on the back page):

San Francisco State Office Building, \$321 million JPA Lease Purchase Revenue Bonds

Senior manager: BA Securities, Inc. Co-managers: J.C. Bradford & Co., Morgan Stanley & Co., Inc., Yaeger Capital Markets Incorporated, Chilton & O'Connor, Inc., William E. Simon & Sons Municipal Securities, Inc.

State Public Works Board-Energy Efficiency, \$40 million Lease Purchase Revenue Bonds

Senior manager: Goldman, Sachs & Co. Co-managers: Great Pacific Securities, E.J. De La Rosa & Co., Inc., Stephens Inc.

If you are interested in these bonds, please contact the firms listed above.

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Ask the State Treasurer

Q: I have lost my California bond. What should I do?

A: Please notify our office so that we can place a stop payment on your bond. You will have to purchase a Surety Bond from a Surety Bond provider before a replacement certificate can be issued to you.

Please call the Bond Services Section at (916) 653-2884 for detailed instruction on how to replace your lost State of California bond.

Q: Can I bring my matured State of California bond to your office for payment?

A: Yes, you can bring your bond to our office for payment. We are located at 915 Capitol Mall, Room 117, in Sacramento, California. It takes approximately 30 minutes for us to process your payment.

Our office also provides registration services. Both of our services are provided free of charge. Please contact the Bond Services Section at (916) 653-2884 for more information regarding these services.

The Treasury Note Mailing List

If you would like to be on the mailing list to receive *The Treasury Note* monthly, please send your name and address to the Investor Relations Program at the address on the previous page.

STO on the Internet

Locate the State Treasurer's office on the California Home Page or at our own web site: <http://www.treasurer.ca.gov>

Listing of Redemptions

This listing reflects redemptions officially announced as of August 1, 1996. These bonds will be redeemed on September 1, 1996.

California State Public Works Board Lease Revenue Bonds (Department of Corrections), 1986 Series A (State Prison-Corcoran) (Partial redemption)

\$188,985,000, due September 1, 1999, 2000 & 2005 will be redeemed.

California Transportation Commission San Francisco Bay Toll Bridge Revenue Bonds, 1987 Series A (Full redemption)

\$24,385,000, due September 1, 1997 through 2002 will be redeemed.

If there are any questions regarding the purpose or timing of these calls, please call (916) 653-3451. For redemption payment or registration information, please call (916) 653-2884.

Bond Sales Calendar*

If you are interested in purchasing any of these bonds, please contact your broker about two weeks before the sale date. For updated information regarding sales dates, please contact the State Treasurer's Office at (916) 653-3243.

BOND SALES	AMOUNT in millions	SALE DATE
1996-97 Revenue Anticipation Notes	\$3 billion	July 30, 1996
General Obligation Bonds	\$300-500	August 1996
State Public Works Board, California Museum of Science and Industry, Lease Purchase Revenue Bonds	\$32	September 1996
State Public Works Board, Energy Efficiency, Lease Purchase Revenue Bonds	\$40	September 1996
San Francisco State Office Building, JPA Lease Purchase Revenue Bonds	\$321	October 1996
California State University-Student Unions & Housing	\$18	October 1996
Oakland State Office Building, JPA Lease Purchase Revenue Bonds	\$175	November 1996
General Obligation Bonds	\$300-500	December 1996

*Subject to change